Frequently Asked Questions
2010 State Employee Retirement Incentive Program (SERIP)

March 30, 2010
Question 53 added.

GENERAL INFORMATION

Q1 What is SERIP?

A1 The State Employee Retirement Incentive Program (SERIP) offers state employees who are eligible to retire financial incentives and contributions to state-sponsored health insurance coverage when separating from state employment by June 24, 2010.

Q2 What are the incentives being offered under SERIP? (updated 03/08/10)

A2 SERIP will offer a two-part incentive. ***First,*** you will receive a financial incentive based on IPERS-covered years of service with the State of Iowa. To be eligible for the incentive, you must have a minimum of ten (10) years of service with the State of Iowa. You will be paid $1,000 for each year of IPERS-covered state service beginning with ten (10) years of service ($10,000) up to twenty-five (25) years of state service ($25,000). The incentive plus any unused vacation balance at retirement is paid out over five (5) years. ***Second***, the State will contribute toward a state-sponsored health insurance plan for up to five (5) years.

Q3 Who is eligible for this program? *(*updated 03/05/10)

A3 To be eligible for the program, you must be a benefit-eligible permanent, full-time or part-time employee of the Executive Branch including employees in statewide elected official offices, community-based corrections employees, Board of Regents' Central office employees (if the Board of Regents chooses to participate) and Legislative Branch employees.

Additionally, you must be fifty-five (55) years of age, or older, as of July 31, 2010 and submit an application for IPERS monthly benefits no later than your last day of employment. If you rescind your retirement and do not receive a pension benefit, you will not be considered to have taken retirement and will not be eligible for this program.

Q4 I don't have ten (10) years of IPERS-covered service with the State, am I eligible for SERIP? *(*updated 03/08/10)

A4 Yes. You don't need to have ten (10) years of IPERS-covered service with the State to be eligible for SERIP. If you meet all the eligibility requirements but have less than ten (10) years of IPERS-covered service with State, you are **not** eligible for the financial incentive but you are eligible for the contributions to your state-sponsored health insurance.

Q5 Who is not eligible for this program? (updated 03/05/10)

A5 You are not eligible for SERIP if you are an elected official, Board of Regents' institution employee or an Executive branch employee covered by the SPOC Sick Leave Trust Fund.

The Judicial Branch is not participating in SERIP.

Q6 Do I have to retire to benefit from SERIP?

A6 Yes, you must be eligible for retirement as defined under 97B of the Iowa Code. You must further be fifty-five (55) years or older as of July 31, 2010, and submit an application for IPERS monthly benefits no later than your last day of employment.

Q7 Can I retire under this program if I will not be age fifty-five (55) by June 24, 2010?

A7 Yes. To meet the rules of the program as defined by the Iowa Department of Administrative Services (DAS), a participant must be fifty-five (55) or older by July 31, 2010.

Q8 What is the timeline for signing up to participate?

A8 Eligible employees will be notified by March 1, 2010. If eligible, you must sign up for the program no later than April 15, 2010. You may revoke your application any time up to and including your date of termination from the State or within seven (7) calendar days after signing your application, whichever is later. If you want to revoke your application, it must be in writing and delivered to your Personnel Assistant within the time frames. If mailed, the letter must be addressed to your Personnel Assistant and postmarked within the time frames. You must leave your job by June 24, 2010.

Q9 What happens after I submit my application?

A9 DAS will review your eligibility for the program and, if eligible, approve your application. Once your application has been approved, you may leave state employment anytime after providing the appropriate notice to your department; however, you must separate from state employment no later than **June 24, 2010**. A component of SERIP is that you agree to waive all rights to file a suit against the State of Iowa based on claims arising from your employment with the State of Iowa.

Q10 Where can I get an application?

A10 Your Personnel Assistant will have the SERIP application or you can get an application at the DAS Benefits SERIP website (http://benefits.iowa.gov/serip.html).

Q11 Can I retire and leave employment prior to June 24, 2010, and still qualify for this incentive package?

A11 Yes, you can leave anytime after submitting all necessary paperwork to participate in the program and if you have applied for monthly IPERS pension benefits no later than the day you separate employment.

Q12 If I retire under this program would I still be required to take my mandated unpaid leave before I leave state employment and, if so, how much do I need to take? (updated 03/05/10)

A12 Your department management monitors your use of mandated unpaid days. If you are planning to retire you must take a prorated amount of mandatory unpaid days up to a total of five or seven mandatory unpaid days depending on whether you are AFSCME covered or a non-contract employee, respectively. For example, if a non-contract employee is planning to retire at the end of April 2010, the employee should take five mandatory unpaid days. Contact your supervisor to schedule mandatory unpaid days.

FINANCIAL INCENTIVE

Q13 If I participate in this program do I still get my vacation payout in one lump sum? *(*updated 03/08/10)

A13 No, you will receive an equal annual payment (20 percent) for a total of five (5) years (2010 – 2014) based on the total value of your unused vacation balance at retirement, plus a financial incentive of $1,000 for every full year of service to the State. Years-of-service payouts range from ten (10) full years of IPERS-covered state service to a maximum of twenty-five (25) years of state service. You can have more than twenty-five (25) years of state service, but you are only going to be paid for up to twenty-five (25) years of state service.

Q14 Can time accrued while employed for another non-state public employer (county, municipality or school) count toward the years-of-service financial incentive?

A14 No, we will only count state employment service as defined in section 97B.1A for which the employer is the State of Iowa.

Q15 How are my years of service calculated and will I get credit for a partial year?

A15 Partial years will not be credited toward the total financial incentive amount. For example, if you began employment with the State on July 15, 1994, and you retire from state employment on June 24, 2010, you would have 15.9 years but you would only be credited with 15 years of service toward the financial incentive of $15,000.

Q16 Does my service with the State have to be continuous service? For example, I worked for the State from 1983-96. I left and went to the City of Davenport from 1996-2001. I returned to the State in 2001. Am I eligible to receive the financial incentive? *(*updated 03/08/10)

A16 State employment does not need to be continuous. It only needs to total ten (10) or more years of IPERS-covered service. In the above example, you would meet the length-of-service threshold for financial incentive payment.

Q17 I am a part-time employee, provided that I meet the eligibility requirements, am I eligible for the full $1, 000 per year incentive, or is it prorated based on my FTE? What about the health insurance contribution incentive?

A17 The benefits under this program are not prorated. You are eligible for the full $1,000 per year incentive and your contribution towards health coverage will not be prorated either.

Q18 How will I be paid?

A18 You will receive your years-of-service incentive and vacation payout in **five (5)** equal installments. The payment will be a State of Iowa warrant mailed to your home address; direct deposit of this payment is **not** an option. Designated beneficiaries will receive payments for any participants who pass away before all payments are received on the same schedule as the retirees received those payments. These payments will be subject to federal, state and FICA taxes. The supplemental payment rates will be used for federal and state taxes. In calendar year 2010, the rate is 25 percent for federal withholding and 6 percent for State of Iowa withholding. The FICA tax rate is 7.65 percent. Each year, you will receive a W-2 from the State for the financial incentive paid and the taxes withheld in that tax year.

Q19 What happens to my financial incentive if I pass away before receiving all of the payments?

A19 If you pass away before the five (5) payouts are made, the remaining payment(s) will be made to your beneficiary. Payments made to your beneficiary are also subject to taxation.

Q20 What's the payment schedule?

A20 The first financial incentive payment will be mailed to your home on or around **September 24, 2010**. The payment will be 20 percent of both your financial incentive and your unused vacation hours. You will receive the remaining four (4) equal payments each September of 2011, 2012, 2013 and 2014.

Q21 How can I use my payment?

A21 You will receive the payments in the form of warrant and can use the funds any way you wish. The money is taxable as income, although the installment payments should mitigate the effect. You may also utilize these payments to pay for any employee share of your selected health insurance program as well as any out-of-pocket costs associated with your plan of choice.

Q22 Can I make an election of my financial incentive payments into my deferred compensation account?

A22 Only for the payment made in September 2010 may you make an election into your deferred compensation account. (The IRS maximum contribution limits apply. Contact the Retirement Investors Club (RIC) staff at 1-866-460-4692 for more information.)

Q23 What about the $2,000 payout associated with my sick leave balance?

A23 A payout of up to $2,000 from your unused sick leave balance will be paid directly to you and will be made on your last pay check. It will be subject to federal, state and FICA taxes. You may make an election of the sick leave payment to your deferred compensation account, after allowing for the FICA tax of 7.65 percent to be deducted. (The IRS maximum contribution limits apply. Contact the RIC staff at 1-866-460-4692 for more information.)

HEALTH INSURANCE CONTRIBUTIONS

Q24 Please explain the Health Insurance Contribution incentive in more detail.

A24 Under this program, you will receive **up to five (5) years** of state contributions toward the premiums of a state-sponsored health insurance plan either through the Sick Leave Insurance Program (SLIP), SERIP or a combination of both programs. If a retiree has more than five (5) years worth of premiums in the SLIP account, payments of insurance will continue as long as they are eligible for SLIP.

You will first use your SLIP account. SLIP converts your unused sick leave balance at retirement (minus the $2,000 cash payout with your final paycheck) and uses that balance to pay the state share of the health insurance you select while you pay the active employee premium, if applicable. SLIP continues to pay the state share of the health insurance premium until the account is exhausted or you become eligible for Medicare (in most cases, age 65). You may continue to use funds from your SLIP account to pay the state share of the health insurance premium for longer than five (5) years if your account is sufficient and you remain eligible for SLIP (not Medicare-eligible). If you are able to utilize your SLIP account for five (5) or more years, you will not be eligible for any additional state contributions. More information on SLIP is available at the DAS Benefits website: http://benefits.iowa.gov/retirees_slip.html.

If your SLIP account is not sufficient to pay the State's share of the premiums for five (5) years or you are not eligible for SLIP due to being Medicare-eligible, the State will contribute to the cost of a state-sponsored health insurance program. You can continue to participate in SERIP even when you become Medicare-eligible (in most cases, age 65) as long as you have not received a total of five (5) years of state contributions toward health insurance.

Depending upon the coverage level you elect, the state health insurance contribution is the **Blue Access** premiums in effect each year for the five (5) years you participate in the program starting upon your separation date. If the health plan you select includes someone who is Medicare-eligible, the state share is the **Blue Access with SilverScript** premiums.

Q25 What if I do not have enough money in my SLIP account to provide five years of health insurance coverage?

A25 SERIP provides for five (5) years of health insurance coverage in an affordable group health care plan offered by the State as determined by DAS. If your SLIP funds are exhausted before five (5) years have elapsed, you will be covered by SERIP until the five (5) year period is up. If you die before that period, your surviving spouse will continue to be covered for the five (5) year period if he or she was covered initially.

Q26 If my unused SLIP bank expires before the five-(5) year minimum is up, can I change plans at the point I move from SLIP contributions to SERIP health contributions?

A26 No, your health plan choice remains in effect until the annual enrollment and change period. The only way to make a plan change prior to the enrollment and change period would be if you experience a qualified life event and that event allows a plan change. You will **not** be allowed to change your health plan during the year if the State's contributions to your health insurance plan change from SLIP to SERIP.

Q27 Will the State contribute the Blue Access family contribution under SERIP if I select a family plan?

A27 Yes.

Q28 If I retire under SERIP, do I have to stay in the State's health plan?

A28 Yes, if you wish to receive a contribution toward health insurance. If you choose to forego the state health insurance plans and the health insurance contribution incentive, you may still receive the financial incentive under SERIP.

Q29 Can I select another plan besides Blue Access under SERIP?

A29 Yes. Blue Access, as mentioned previously, will be used to determine the contribution (single or family) but any plan offered by the State will be available under this program, with the exception of the State Peace Officers Council's (SPOC) health plan.

Q30 May I elect to move to another plan if I retire under SERIP?

A30 At the time of retirement, you may choose to continue in the same health plan in which you are enrolled or you may select a plan with a **lower total premium** than your current plan.

Q31 Can I make changes during the annual enrollment period?

A31 As a retiree, you have an annual enrollment and change period similar to active employees. During the enrollment and change period, you can change your health plan to a plan with either a higher or lower total premium or coverage level (single or family). You can also add eligible dependents.

Q32 I am over sixty-five (65), can I benefit from this program?

A32 Yes, you would be eligible to receive the financial incentive based on your years of service with the State of Iowa as defined above and financial contributions toward a state-sponsored health insurance plan for five (5) years. Depending upon the coverage level you elect, the state health insurance contribution is the **Blue Access with SilverScript** premiums in effect each year for the five (5) years you participate in the program starting upon your separation date.

Q33 I am over sixty-five (65) and I am considering retiring under SERIP. Will SERIP cover the total cost of the plan I select? If so, for how long and at what percentage of the premium for the plan I select?

A33 Yes, if you select Blue Access or Blue Advantage and also enroll in a Part D Medicare drug plan offered by SilverScript, the State's contribution will pay for the entire health premium for the five (5) years this program will be in effect. In this situation, you would only be responsible for the Part D premium paid directly to SilverScript. In all other cases – where a different plan is selected or where Part D is not selected – you will have to make a contribution, which will vary from plan to plan.

Q34 I am sixty-five (65) and I have a large amount of sick leave accrued. Can that sick leave be used to pay supplemental or Medicare premiums?

A34 No, with the exception of the $2,000 sick leave payout received on your last check, participants sixty-five (65) or older who retire do not get to use their unused sick leave bank for any purpose.

Q35 What happens to the health insurance contributions under this program if I pass away?

A35 If your spouse is covered under your state health insurance plan at the time of your death, your spouse will receive the **remaining** years of SERIP health insurance contributions. If you do not have a surviving spouse, or if your spouse was not covered under your health insurance plan, all health insurance contributions cease the month after your death.

Q36 What if I was using my SLIP account when I die?

A36 If you are using your SLIP account when you die, your SLIP account terminates. Your surviving spouse (if covered under your health insurance plan) will be eligible for SERIP health insurance contributions for the remainder of five (5) years after your employment separation. For example, if you die 3 years and 8 months after your retirement date, your spouse will be eligible for 1 year and 4 months of continued coverage under SERIP. After that period, your spouse can elect to continue participating in the State's retiree health insurance group with no additional contribution from the State.

Q37 My spouse and I are currently receiving a "double spouse" contribution, will this continue under this program?

A37 No. If you and your spouse are both state employees and have elected double spouse family coverage, the double spouse option is only available when both you and your spouse are active employees. If one of you retires, the double spouse option is not available.

Q38 If the retiring employee has a spouse who is going to remain working as a State employee, can the retiree's unused sick leave be used to pay the employee's share of a premium on a family plan?

A38 No, SLIP funds can only be used to pay the state share of your retiree insurance; it cannot be used to pay your active spouse's health insurance premiums. If there are no other dependents on the plan, you may have single coverage paid fully by your SLIP account, and your working spouse could elect a single active employee plan fully paid by the state. You may also elect family coverage and add your spouse to coverage and pay the retiree-required premium but your spouse **cannot have duplicate insurance coverage** with the State.

Q39 Can I delay the start of my premium being paid, so that it is available when my spouse retires?

A39 No, there can be no break between active employee health insurance coverage and retiree health insurance coverage. Active employee coverage goes through the end of the month in which you were an active employee and retiree coverage begins the first of the month following the month you separate from employment.

Q40 If a married couple, both state employees, and both eligible for the incentive, can they carry a family plan and have each one's share pay a part of the premium?

A40 No, your SLIP or SERIP contributions toward health insurance cannot be "pooled" together.

Q41 If I retire under SERIP, do I give up my right to be in the State's retiree pool when the program ends?

A41 After the state subsidy ends (SLIP or SERIP), you are eligible to continue health insurance coverage in the State's retiree health insurance group with no additional contribution from the State.

Q42 Will the health insurance contribution benefit be treated as taxable income?

A42 No, the insurance contribution will not be treated as taxable income. However, the financial incentive that is paid out in five (5) equal installments will be treated as taxable income and will be reported each year on a W-2.

Q43 Does this new program include dental insurance?

A43 No. However, you are still eligible to participate in the State of Iowa retiree group as long as you pay the full premium for either single or family coverage.

Q44 What happens to my Health Flexible Spending Account when I retire under this program?

A44 You may continue to seek reimbursement for eligible expenses incurred through the end of the month in which you receive your final paycheck. For example, if you terminate employment on June 24 and your final paycheck is July 2, you can incur claims through July 31, 2010. Otherwise, your coverage in the Health Flexible Spending account ceases unless you are eligible for and elect flex COBRA coverage, in which case you continue to make contributions (although on a post-tax basis) and can make claims for eligible expenses that arise during the period of flex COBRA coverage.

IPERS

Q45 Can an employee purchase service credits for purposes of qualifying under this legislation?

A45 A participant can purchase IPERS service credits to increase their IPERS monthly benefit. However, a participant does NOT have to meet the Rule of 88 to begin IPERS benefits and retire under this program. The participant only needs to be 55. If you don't meet the Rule of 88, or another normal retirement rule (age 62 with 20 years of service or age 65), a reduction is applied to IPERS benefits but it does not prohibit you from retiring under this program.

Q46 How do I purchase IPERS service credits?

A46 To purchase IPERS service credits, contact IPERS for an Application for Service Purchase form. Complete the application and return it to IPERS. Completing the application does not obligate you to purchase service. Completing the application is the only way you can find out how much your service purchase would cost. Cost quotes are valid for six (6) months. You can purchase all or a portion of your qualified service. For more information about purchasing IPERS service credits, contact IPERS at 515-281-0020, 1-800-622-3849 or at IPERS' website (http://www.ipers.org).

Q47 I've taken some furlough hours and want to make a contribution to IPERS to offset the lost wages. Is it allowable to make these contributions through payroll?

A47 You can make voluntary contributions to your IPERS account to minimize the furlough's impact to your IPERS account. The voluntary contribution is the amount of IPERS contributions you and the State would have made if you had not had to take employer mandated reduction in hours. You can only make voluntary contributions for those hours taken from January 1, 2009, through your date of separation with the State. More information about voluntary contributions is available at the Members section of the IPERS website (http://www.ipers.org/members/index.html).

If you plan to purchase IPERS credit for employer mandated reduction in hours (furloughs), please see your Personnel Assistant to submit the 2-page election form, called Application to Submit Contributions due for Furlough. Your contributions due for furloughed hours should be fully deducted from your payroll warrant(s) by the time you retire, so you must work with your PA to ensure the deduction occurs through payroll processing.

REEMPLOYMENT

Q48 What future work restrictions will apply to me if I accept this offer?

A48 A component of SERIP is that you will never apply for or accept future employment with the State in any capacity, except as an elected official or as an appointee to a state board or commission. Further, a participant cannot return as a consultant or independent contractor.

LIFE AND LONG TERM DISABILITY INSURANCE

Q49 Can I continue my life insurance coverage?
A49 Yes; depending upon your circumstances, you may have two options for continuing your life insurance.

If you are under Social Security Normal Retirement Age (SSNRA), you can elect to continue your life insurance through a portability provision. You cannot continue AD&D coverage under the portability provision. If you want to continue AD&D coverage, you can do so under the conversion provision. Portability is not available if you are applying for long term disability benefits and are eligible to have your group life coverage continued through the Waiver of Premium provision.

You can also continue your life insurance coverage by converting your group term life insurance to an individual whole life policy. This provision is available regardless of your age.

Q50 Can I apply for LTD if I leave employment under SERIP?
A50 Yes. The 90 working day LTD waiting period would still apply.

MORE INFORMATION

Q51 Where can I get more information related to SERIP?
A51 You may contact Rachel Orris at 515-281-6124 or rachel.orris@iowa.gov if you have questions about this program. You can also visit http://benefits.iowa.gov/serip.html. Further, the Benefits Team at DAS will be offering a series of webinars to explain the program in further detail and to address any questions you may have.

ADDITIONAL FAQ ADDED SINCE MARCH 1, 2010

Q52 I had some service with the State of Iowa that was not covered by IPERS. Do those years of service count toward the financial incentive? (03/08/2010)
A52 No. Only IPERS-covered years of service with the State of Iowa count toward the financial incentive.

Q53 Will the annual incentive payments go against the amount I can earn (the earnings limit) while receiving Social Security benefits? (03/30/2010)
A53 The Years of Service incentive and SERIP vacation payments will be reported to the Social Security Administration as income the amounts in boxes 3 and 5 of the W2. The incentives payments will not count towards wages earned because the State will also report these payments to the Social Security Administration as a "Special Wage Payment" each January for the previous calendar year's payment. DAS-SAE will send SERIP participants a letter with the first incentive payments in September detailing their future payments, along with additional information they will want to retain for the duration of these payments.